

LAWRENCE SICULAR & ASSOCIATES

September 8, 2011

Re: Manhattan's fall housing market.

Dear Sir/Madam:

Many of my clients are asking about this fall's market activity. Will the recovery in sales volume, and to a lesser degree in prices, continue through the fall of 2011? Or alternatively, will August's economic news, and the gyrations in the stock market, result in a set-back for our housing market?

Generally, stock market prices and earnings have significant impact, but August is a quiet month. In an effort to work with what evidence is available, I studied the number of contracts signed, this August, for cooperative and condominium apartments and for townhouses, last asking \$5,000,000, or more, and compared these with the contracts signed in August of 2010. The signature of contracts is not the ideal measure of current market activity; agreements in principle on price, that is offers accepted, would be more current. However, the inter-broker listing system, keeps much better track of contracts than of successful offers, so that available contract information can be viewed as a reasonably reliable measure of successfully concluded negotiations at the upper end of the market.

Research indicated sixteen contracts signed this August, for Manhattan condo or cooperative apartments that were last asking \$5,000,000 or more. Five of these contracts pre-date August 4, when the S&P 500 fell by almost five percent, and the S&P downgrade of our national debt on August 5, so arguably these don't reflect the current economic environment.

Of the eleven contracts remaining, five were for apartments on the Upper West Side, including two on Central Park West, two on Fifth Avenue, one on Park Avenue, and two Downtown. Four were for apartments asking over \$10,000,000, of which one was last asking \$25,000,000.

There were five townhouse contracts signed, in mid or late August, last asking \$5,000,000 or more. This is a surprising number given the small number of townhouses in Manhattan and the number of apartment contracts signed. Three of these were on the Upper West Side, one Downtown and one on the Upper East Side. Only one was last asking over \$10,000,000. Three of the five are single-family houses; one is offices, another short term rental apartments. Many multi-unit townhouses in Manhattan are returned to single-family use.

During August 2010, 18 apartment contracts were signed at last asking prices of \$5,000,000, or more. However, among there are two pair that may have sold in order to be combined. Ten of these were on the Upper East Side, five were Downtown, and three were on the middle or Upper West Side. Six of these were last asking over \$10,000,000. None was over \$20 million. For townhouses, there were eight of these contracts. Three were on the Upper East Side, two on the Upper West Side, and three Downtown. Three were last asking over \$10,000,000.

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In terms of the total numbers, the differences between the two results are too similar to suggest any trend in market behavior, and the differences in price and geographic distribution may simply reflect changing availability. Given that sales contracts typically require one or more weeks to negotiate and sign, a reasonable hypothesis is that August news unraveled relatively few transactions, if any. This has not always been the case, following more severe events, including September 11 or the financial crisis in late 2008.

Kind regards,

Larry Sicular